

## DELAYED PRICE (DP)

### What is a Delayed Price contract?

A DP contract allows you to deliver your corn *now*, and price it *later*. It is beneficial to those who are seeking to free up storage space, and are not satisfied with the current price of corn.



#### Advantages:

- Unlimited upside potential
- Avoid personal storage costs
- No Set amount of Bushels
- Storage discounts eliminated
- Avoid any on farm grain quality issues

#### Disadvantages:

- Possible Fees involved
- Pricing deadlines
- Risk of decrease in futures and softening basis

## How it works:

You are considering various contracting options; you know that you want to begin hauling now, but you are unsatisfied with the current cash price of corn. You decide to enter into a DP contract so that you can deliver now, and price the bushels later on.

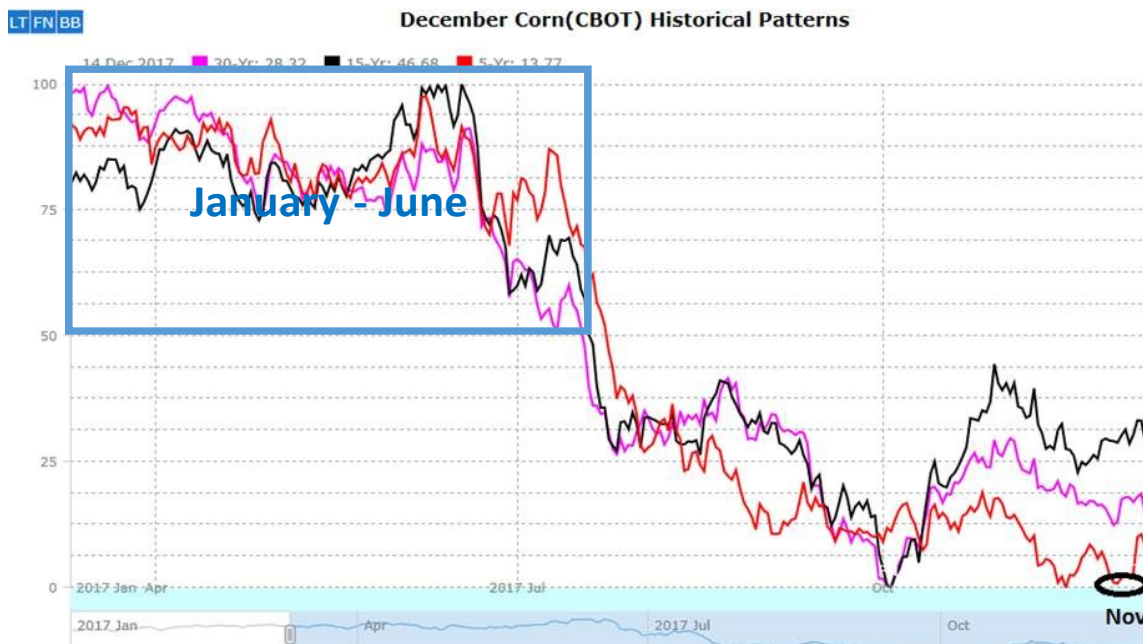
It is **December 15** and you apply 5000 bushels to a DP contract, and you will have until March 31 get those priced.

It is now **February 15** and you want to price your bushels. The basis is +.10 over the March futures of 6.70. You know that every month you are being charged a fee and you are happy with the current price, so you decide to lock it in. You will be paid \$6.80, minus the accumulated fees. Here's the math:

March Futures (Feb. 15)	\$6.70
Current Basis (Feb. 12)	+.10
Accumulated Fees (.05 per month)	- \$0.10
Price Received	<u>\$6.70</u>

- DP fees vary from year to year and are prorated based on when you deliver the corn
- Quick-ship basis is excluded when pricing contract
- Keep in mind the day you call is the day you are pricing your corn, therefore that days cash price is your DP's cash price.
- Laddonia requires DP priced in same crop year.

## Additional Historical Data



- Knowing Laddonia's historical basis and keeping in mind our basis is a reflection on when corn is needed.
- Historical data states typically rallies happen between February and June.
- Laddonia requires DPs priced in the same crop year.

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